

Technical Note #1

Credit Bureaus and Microfinance: a look at El Salvador

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An Overview of Credit Bureau Operations

The term “credit bureau” is usually understood to designate an independent entity, most often a private for-profit firm that collects information on the credit histories of individuals and companies which it sells to commercial and financial enterprises that extend credit. Credit bureaus collect credit information from a variety of sources and consolidate it into a single database than provides reports to its clients showing all the individual credit transactions that a person has had. Information is generally collected on all credit transactions—i.e. those that are reimbursed or active without showing any signs of problems, as well as those for which there are delinquent or stopped payments. While for-profit credit bureaus and even some non-profit credit bureaus supply reports commercially for a fee, the same type of service may also be provided without charge on a non-commercial basis by publicly run credit registries and professional associations. Both commercial and free public service credit bureaus currently operate in El Salvador.

The basic functions of a credit bureau can be broken down into three separate operations: data collection, database management and report generation and dissemination. An overview of the mechanics of each is provided below.

Data collection. To collect credit information, credit bureaus enter into formal agreements with institutions (usually called “affiliated institutions” or “members”) by which these institutions agree to supply information on the credit history of their clients to the credit bureau in return for having access to the credit bureau’s database. The terms of these agreements usually specify exactly what information is to be provided, the frequency of updates, the responsibilities of each party in ensuring successful data transmission, as well as clauses governing confidentiality, data security and payment for consultations. In El Salvador, all privately operated credit bureaus send programmers on-site to affiliated institutions to set-up data interface programs on the affiliates’ systems that are run at the scheduled times to generate data files that can be downloaded into the credit bureau’s systems. These programs “translate” the raw data in the affiliates’ portfolio or client management systems into the defined data fields of the credit bureau database. The setting up of these programs may take from between one day to one week depending on the quality of the affiliate’s credit information and computer systems. Actual data transmission is then done either by encrypted e-mail or by physical delivery of a data diskette from the affiliate to the credit bureau. Credit bureau staff generally train their affiliate’s personnel in these procedures. One Salvadoran microfinance institution (MFI) information systems supervisor reports that the credit information downloading process requires, in general, four hours of her time per update.

Database Management. As information comes into the credit bureau from its affiliates, many of them use a software filter that verifies the coherence of the data according to predefined criteria. This quality check identifies problems such as format errors and data that do not correspond to the codes and parameters of each of the defined fields. Credit bureaus do not verify the content of the information they receive, which is the responsibility of the affiliate. Problems identified during this checking process are either corrected

by the credit bureau itself, if the solution is clear, or referred to the affiliated institution for correction. Data that passes this screening process is then inputted into the main database—the heart of the credit bureau. Access to databases is strictly controlled and numerous security measures are taken to ensure the confidentiality of the database and to protect it from damage.

The technology and organizational principles of credit bureau databases are highly confidential, since these underpin the entire competitive strategy of most credit bureaus. Simple databases may allow credit bureaus to manage only the credit information collected from affiliates. More robust databases permit the merging of client credit information with a host of other data from outside sources and allow the credit bureau to issue tailored hybrid reports on individuals or groups of individuals. Increasingly, information on consumer preferences, demographic data and historical records of commercial transactions are being collected by credit bureaus and sold alone or in combination with credit information to help firms develop marketing strategies or design new products.

Report generation and consultation of credit bureau data. Affiliated institutions request information on individuals by giving the credit bureau a name or an identification number—either via fax, e-mail or through the credit bureau's internet site. The responding report may also be transmitted via fax, e-mail or internet. The direct consultation of credit bureau databases through the internet is coming to be the norm in El Salvador, as the three major open-membership credit bureaus began offering this transmission method between June 1999 and January 2000. The advantage of internet communication is clear—it provides instantaneous 24-hour report transmission from the database to the affiliated institution without requiring the intervention of credit bureau staff. It also allows the credit bureau to automatically track use and facilitates billing. Fax and e-mail consultations are usually only used by clients from locations in rural areas with no access to internet. Information supplied in reports varies according to the particular data definitions and information collected by each credit bureau. At a minimum most Salvadoran credit bureau supply clients with information on:

- Whether the borrower is a moral or physical person,
- name or type of creditor institution;
- the main characteristics of the loan (type, date of disbursement, principal, payment frequency and amounts);
- an indication of the current status of the loan (active, closed, presence of repayment problems¹);
- remaining loan or credit balances.

In addition, some credit bureaus provide supplementary information on such things as: dates and amounts of last payments received, the amount and aging

¹ Most Salvadoran credit bureaus have adopted loan classification systems based on the banking supervisor's (*Intendencia del Sistema Financiero*) required classification for regulated financial institutions, which establishes an A to E loan quality scale based on the ageing of loan arrears and whether the credit is a business or a consumer loan. (Consumer loans are classified according to a less strict ageing schedule).

of arrears, guarantees offered by the borrower, collection methods that may have been employed, and whether the borrower has ever issued bad checks. A minority of Salvadoran credit bureaus also furnish information on individuals' indirect credits—which includes co-signature agreements on loans to other individuals and other forms of guarantees offered on loans that are received by third parties.

Besides the core credit reference database function, larger credit bureaus often offer a range of related ancillary services to their fundamental credit data base products. These may include: investigative credit record verification and research for information on unlisted names; collections administration including sending dunning letters, telephone calls, and visits to delinquent debtors for client firms; credit scoring in which sophisticated statistical models are developed to predict the likelihood of loan default based on a whole range of demographic, social and economic variables; and database consulting services.

The Market for Credit Information in El Salvador

The Salvadoran market for credit information has entered a phase of rapid evolution. With the introduction of widespread generalized internet access, as well as new market entrants and new outside investment, there has been something of a “big-bang” in the credit information market during the last two to three years. Although hard evidence is not readily available, user institutions report that the data quality of some of the major credit bureaus' systems has improved significantly over the past several years, indicating that more institutions are participating and regularly downloading their client data. And there is certainly a feeling of real competition for clients between the three open-membership credit bureaus, which is contributing to more aggressive commercial strategies, and new technological innovations (most notably the introduction of internet database interfaces).

The universe of potential credit bureau customers is defined by all institutions that extend credit. This includes banks and financial institutions of course, but also credit card companies, commercial enterprises such as retail and wholesale stores and manufacturers. More recently non-bank microfinance institutions—mainly NGOs—have also begun to use and supply client credit information. Cooperatives and credit unions, in general, do not collaborate with existing credit bureaus in El Salvador. Rough estimates of the number of active clients with credits in each of these sectors are as follows:

- Banks/regulated financial institutions/credit card companies: 600,000 to 700,000 borrowers;
- Commercial enterprises: no estimates available
- Microfinance institutions: 100,000 borrowers

Although, on the average, there are significant differences in the clientele served by each of these types of institutions, distinctions are becoming increasingly blurred. Several banks, most notably the Banco Agrícola and the Banco Salvadoreño, are expanding their microcredit windows—blurring the distinction between banks and non-bank microfinance institutions. There is also a very substantial overlap between

bank credit clients and those that have credit cards and occasionally buy goods from stores with commercial credit. Similarly, credit card companies are marketing aggressively and reaching clients at lower levels of income, who may also be clients of microfinance institutions that offer larger individual loans. Finally, the practice of buying durable goods with credit from commercial enterprises is very widespread—even among people with very low levels of income who may also be core microfinance institution clients.

Given the substantial overlap in clientele between all these credit-granting institutions, there is clear value in El Salvador to having centralized credit bureaus that maintain affiliated institution agreements with the majority of users in each of these categories in order to get a complete picture of borrowers' credit histories. Only through centralized databases of this type will commercial enterprises receive information on their customers' credit records with microfinance institutions and credit card companies. As no credit bureau yet has such a universal centralized database, credit reports offered in El Salvador merely give a partial picture of individuals' credit histories. DICOM, the local subsidiary of the U.S. credit information services firm Equifax, has the largest credit information database in El Salvador and probably comes the closest to maintaining a fully comprehensive database. Key information on all Salvadoran credit bureaus appear in Table 1. Profiles of each institution are also given below.

DICOM

DICOM El Salvador was founded in 1996 as a private company (S.A) in a joint venture between a group of local banks and the Chilean credit bureau DICOM. In 1998, Equifax obtained majority ownership in DICOM El Salvador by purchasing the Chilean parent's shares.² DICOM managers report that they have negotiated affiliate agreements with 95 percent of the banking sector, 100 percent of credit card companies, and a significant number of commercial enterprises.

Besides basic credit information reference services, DICOM provides verification and client research services to complement its database, as well as offering customized portfolio assessments in which the credit records of all individuals in a given credit portfolio are analyzed and rated on the basis of their credit history. DICOM also offers database management consulting services to firms seeking to improve their systems for tracking and using client data and is in the process of developing a credit scoring product. DICOM also provides separate human resource database services—as it maintains El Salvador's only on-line job bank.

Overall, DICOM is currently the leader in the credit information market. Its strengths include ownership links to an international specialist in credit information services, a broad-based net of affiliates, substantial database capacity and management expertise and the ability to offer a wide range of ancillary products. DICOM was also the first Salvadoran credit bureau to offer internet consultations of its database.

² Equifax was already a minority shareholder in DICOM Chile.

Table 1: Credit Information Providers in El Salvador

| | DICOM | InfoRed | SSF | Procredito | ABANSA |
|--|------------------------|-------------------------|----------------------------------|------------------------|------------------------|
| Founders | Banks | MFI NGOs | State | Commercial Enterprises | Banks |
| Years in operation | 4 | 1 | 10+ | 33 | 10+ |
| Membership type | Open | Open | Regulated Financial Institutions | Open | ABANSA members |
| Legal form | Private Company (S.A.) | Private Company (S.A.) | Public Institution | Non-Profit Association | Non-Profit Association |
| Free to members | No | No | Yes | No | Yes |
| Names or credit transactions in database (as of Aug. 2000) | 4 million transactions | 218,000 transactions | 600,000 to 700,000 names | 1 million names | N/A |
| Identifies creditor institutions by name | Yes | Yes, for bad loans only | Yes | Yes | Yes |
| Instant internet consultations | Yes | Yes | In development | Yes | No |
| Supply reports to non-affiliates | No | No | No | Yes | No |
| Information on indirect credits/co-signature agreements | Yes | Yes | In development | No | No |
| Frequency of updates | Monthly | Monthly and bi-weekly | Monthly | Monthly | Monthly |
| Other services: | | | | | |
| Client research/verification | Yes | No | No | Yes | No |
| Collections letters | No | No | No | Yes | No |
| Portfolio quality checks | Yes | No | No | No | No |
| Credit/collections training | No | No | No | Yes | No |
| Database consulting | Yes | No | No | No | No |
| Credit Scoring | In development | No | No | No | No |

InfoRed

InfoRed has its origins in the USAID-funded Proyecto de Innovación para la Microempresa (MIP) that ran from 1996 through February 2000. The MIP project, which was implemented under a cooperative agreement between USAID and Catholic Relief Services (CRS), was designed to strengthen the capacity of six MFIs to provide financial services to the small and microenterprise sector. During the first year of the MIP project in 1996, a centralized credit information system was created to collect and disseminate the names of bad debtors from among all six of the MIP participants.

In 1999, under the final phase of the MIP project, plans to ensure the continued sustainability of this credit reference system began to be implemented, resulting in the birth of InfoRed. Key steps in this process included technical assistance from a credit bureau consultant and the purchase of specialized credit bureau database software. A business plan was developed around the vision of a private for-profit credit bureau that would initially target microfinance institutions, most of who were not affiliated with existing credit bureaus. In late 1999 the new information systems went into operation and the system began offering instant internet consultations of its database, which had been expanded to include information on good clients as well as bad ones. In March of 2000, after the close of the MIP project and the termination of its relationship with USAID, InfoRed was formally established as a S.A. with initial

paid-in capital consisting of donated material from the MIP project and investments from its six MFI shareholders.

InfoRed is pursuing its business plan by marketing all institutions that lend to low-income microentrepreneurs. It has now reached agreements with 15 affiliated institutions, 13 of which are NGOs and one each from among banks and commercial enterprises. Users generally agree that InfoRed's information system and credit reports are of high quality and well tailored to the needs of its chosen niche in the microfinance market. Its database is also generally acknowledged to be well maintained and up-to-date. Its main challenge is to expand its network of affiliated institutions in order to increase the breadth of its database, which remains small—both in relation to other credit bureaus and in relation to the total microfinance market.

Superintendencia del Sistema Financiero (SSF)

A publicly run credit registry is maintained by the SSF into which all regulated financial institutions (including banks, credit card companies, insurance companies, and the MFI Financiera Calpia) are required to supply current information on their credit clients. These institutions must send in data on all their clients with loans of over 25,000 colones (\$2,867) every month, which the SSF consolidates and redistributes via diskette. The SSF also provides each of these institutions with a basic program, which is able to read in the monthly consolidated list and allow each institution to do searches for individuals. This system, in which the database is physically located at each of the regulated financial institutions, was instituted when the task of responding to requests for reports got to be too cumbersome and plagued by delays. The SSF requires users to maintain strict security measures and to limit access to the database to a small number of authorized staff at each institution.

With between 600,000 and 700,000 current borrowers in the database, the SSF's credit information system provides an important information resource to the banking sector—and one that is free. Although regulated financial institutions are not required to provide information on individual loans below 25,000 colones, many do submit this information, either because they believe in full disclosure or because it is simply easier for them to submit data on their whole portfolio.³ In practice, the SSF's database is a very useful source of information on microborrowers, although this is not its formal purpose.

Procredito

The oldest credit bureau in El Salvador, Procredito (Asociacion Protectora de Creditos de El Salvador) was founded thirty-three years ago as a non-profit business association on the initiative of several commercial enterprises who wanted a centralized credit reference service to track their clients. Although Procredito has opened its membership to all types of entities including banks and microfinance institutions, the large majority of its members still come from the commercial sector.

³ Financiera Calpia, for instance, reports to the SSF on its entire loan portfolio, which has an average loan size of 6,700 colones (\$768).

As a non-profit association, Procredito is run largely along the foundation model. Affiliated institutions are required to pay a membership fee to join the governing association, which entails them to one vote in the General Assembly, which elects the Board of Directors that appoints Procredito management who report to the Board. In addition, to access Procredito's services, members are required to pay regular subscription and consultation fees. Any excesses in revenues over operating costs are used to grow the association's endowment, giving it a stable financial base and allowing it to invest in needed information technology. Despite its unique ownership system and legal structure, Procredito functions much like the other open-membership commercial credit bureaus.

ABANSA

The Asociacion Bancaria Salvadoreña (ABANSA), a non-profit professional association regrouping fourteen members from the regulated financial sector, provides another source of basic credit information. ABANSA members send in each month a list of their new problem loan clients with loans rated in the C, D, or E categories. ABANSA enters these names into its database, which is consolidated and then redistributed. This system is meant only to offer a basic complement to the SSF's credit registry, since the ABANSA database keeps a historical track of all bad loans, and is not limited to just current borrowers.

Critical Institutional Factors in Credit Bureau Success

Maintaining a successful credit bureau obviously requires a solid mastery of the technological and managerial obstacles in collecting, maintaining, transmitting and establishing prices for access to a large quantity of data while respecting a host of data confidentiality and security requirements. This technical aspect of credit bureau operations justifiably takes up a major part of management attention. Yet there are a number of other critical institutional challenges that determine the success of any credit information service that have little to do with the pure mechanics of data administration. These institutional aspects to credit bureau operations are just as important to success as is the technical aspect. In particular, three institutional challenges seem most critical. These are:

Obtaining data of sufficient breadth. A credit bureau is only as good as the information in it. A technically perfect database is useless without sufficient raw data to generate enough "hits" to satisfy users. Since such data can only come from affiliated users, the fundamental competitive challenge for credit bureaus is to sign agreements with as many affiliated institutions as possible that have information on clients in the market niche or niches that they are targeting. This challenge is complicated by the fact that in the market for credit information, credit bureau clients are both paying customers for reports and suppliers of the raw information that goes into the credit bureau's system. Clients want to receive true value-added from joining and not just have their own information returned to them for a charge when they access the credit bureau's database. This can make it hard for new credit bureaus to enter the market, since they must overcome a certain threshold in database size for their clients to derive a real utility from participation—and it can be an uphill

struggle to sign-up affiliates until that point is reached. InfoRed is now facing this exact challenge.

Keeping the database current. While having a lot of affiliated institutions and individual data points is a necessary requirement of a good credit bureau, it is not sufficient. Information must be updated frequently so that the data that appears on credit reference reports is as current as possible. Having written affiliation agreements with a specified regular update frequency are not enough to ensure that information is supplied as planned. Clients of virtually every credit bureau in El Salvador complain that the information contained in credit reports is not as up-to-date as they would like to see. Fundamentally, the decision of both when to send information and what to send is under the control of the affiliated institution—not the credit bureau. Credit bureaus really have very little leverage to bring to bear on their affiliates, who can easily slow the pace of information input into the system or become *de facto* ex-affiliates—with negative consequences on the quality of the database reference checks offered by the credit bureau.

Maintaining a reputation for impartiality. Affiliates of Salvadoran credit bureaus are very concerned about the potential for client poaching, differential access to credit bureau databases among competing affiliates, and inequities in the supply of information that goes into the databases. The potential for mistrust is further magnified by the complicating factor that it is not at all uncommon for a sub-set of affiliated institutions to be shareholders in credit bureaus—as with DICOM and InfoRed. This adds another dimension of possible conflict of interest, since not only are affiliates both suppliers and customers, but there are also some affiliates who are suppliers, customers and owners. Affiliates who are not shareholders are especially sensitive to issues related to managerial impartiality and possible breaches of confidentiality by credit bureau employees. In El Salvador, the perception of undue shareholder influence on credit bureau management has certainly held-back the expansion of the credit bureau databases—particularly among banks and MFIs.⁴

Integration of the Microfinance Sector into Credit Bureau Systems

It is clear that the market for credit information in El Salvador is segmented and that no single credit reference database currently captures all information from the majority of regulated financial institutions, commercial enterprises, and microfinance institutions. The reason for this segmentation is linked to the peculiar institutional history and ownership structures of the major credit bureaus. Procredito, the oldest, was set-up primarily to serve the commercial sector. Then some banks felt their needs could be better met by forming DICOM as a complement to the public system offered by the SSF. Now, as the microfinance sector is developing, InfoRed has come on to the scene and is making a serious bid to be the champion credit information supplier for MFIs. In each case, the needs of a specific group of users led to the creation of a credit bureau designed primarily to fulfill their specific requirements.

⁴ Equifax's recent purchase of controlling interest in DICOM has, however, helped to address these perceptions.

Although each of these institutions started with strong ownership links to a certain type of client that formed its natural core market niche, because of the increasingly integrated nature of financial markets in El Salvador, they all have a strong incentive to branch-out and sign affiliation agreements with all types of institutions and collect credit data with as wide a net as possible. This is the only way they will be able to provide a comprehensive picture of all the possible sources of credit in El Salvador. To a large extent, the success of a given credit bureau—or at least the open-membership commercial model incarnated by DICOM, InfoRed and Procredito—depends on how well it can perceptibly “de-link” itself from its institutional founders and inspire trust and offer a service or services that are appreciated by the market as a whole. This process is already underway in El Salvador. DICOM, with only four years in existence, is making a serious bid to become the clear market leader with a wealth of credit data on individuals that comes from sources well beyond the banking sector.

However, the microfinance sector has yet to be integrated in anything but an ad-hoc way into the market for credit information. The microfinance loans made by regulated institutions (mainly the banks and the private finance company Financiera Calpia, who operate at the “high-end” of the microcredit market) are captured by the SSF’s credit registry, if they chose to report them (as they do seem to be doing voluntarily). DICOM and Procredito maintain affiliate relationships with a handful of MFIs, but it is not clear how actively their credit data is updated—users of these systems complain that information is often old. InfoRed is rapidly signing affiliate agreements with MFIs, but it still has a long way to go before it can claim to have a database that really reflects the collective credit activity of a large fraction of Salvadoran microcredit borrowers.

Thus, microfinance borrowers from NGOs still remain largely outside of current systems for capturing and reporting on credit data in El Salvador. The reasons for this are not altogether obvious. Obviously, the large generalist credit bureaus such as Procredito and DICOM have not really made a systematic attempt to market MFIs, and especially NGOs, perhaps because they are not seen as a profitable market niche. More likely, however, these institutions have just had more pressing management priorities with the increased competition between them resulting from the advent of easy internet consultations and the growing interest of all forms of enterprises in having access to credit information.

In any case, there are a number of potential barriers to integrating microfinance credit institutions into credit bureau information systems. Some of these seem to be real; others seem to be more matters of perception. Potential obstacles to the integration of MFI clients into existing credit bureau systems are shown below in increasing order of severity.

Technological barriers. In reality, the advent of cheap personal computers and possibilities for sending data via the internet have virtually erased any barriers associated with complicated technology or high investment ticket prices for participating in a credit bureau databases as an affiliate. No expensive specialized equipment or expense is required beyond standard low-cost personal computer systems. The greatest technological barrier to MFIs wanting to participate in credit bureaus has to do with reliable infrastructure—

mainly telephone lines, internet service providers, and the availability of electricity. In El Salvador, improvements in communications infrastructure have greatly facilitated the expansion of credit bureau activities. Problems continue to exist, however, in isolated rural areas.

Data standards and information transfer protocols. Given the differences in portfolio management systems among MFIs, as well as the lack of standardized systems for measuring portfolio quality and tracking arrears data availability and standardization would seem to present a serious problem. However, the staff of credit bureaus that have targeted the MFI sector, such as InfoRed, have developed real expertise in working with various MFI information systems to derive the information needed for their database fields. In some cases this has included actually helping affiliates to restructure their internal information systems. InfoRed managers report that their clients are generally willing to make minor modifications in their system to make them more compatible with the credit bureau's database, since this usually results in an improvement in available portfolio information. In some cases, when information on a field is totally lacking in an MFI's portfolio systems, it can also be left blank. In any event, credit bureau staff typically assume much of the programming burden involved in defining protocols and transmitting information between affiliates' systems and those of the credit bureau. This does, however, add to the cost of providing credit bureau services to MFIs.

Personal identification numbers. El Salvador lacks a true universal personal identification number—which greatly complicates that task of sorting out identities and avoiding confusion between homonyms. Regulated financial institutions are required to collect borrowers' tax identification number, which is the most common way of identifying individuals in the formal banking sector. MFIs, however, generally favor the competing personal identity and electoral card number (the *cedula*). The lack of a true unique single identification number among microfinance borrowers means that institutions often request up to three searches per individual—searches by name, *cedula* and the tax identification number—and then may have to do more research in order to correctly interpret the results. This also contributes to a higher effective cost for consulting information on microfinance clients.

Cost. Cost may be a real issue for MFIs, particularly the smaller ones who operate without a large loan volume that can help to lower unit costs of consultations. The typical subscription formula is structured to allow a certain number of fixed consultations per month for a flat fee with a per consultation charge for use above that amount. InfoRed, for instance, allows for internet searches on up to 600 individual reports per month for a fixed monthly fee of 3,600 colones, (\$413) with a charge of an additional 5.75 colones (\$0.55) for each individual report requested above this amount. This level of cost would represent a significant expense for most MFIs that must pass a serious benefit/cost test before being justified.

Credit methodology issues. One central barrier to integrating MFIs and their borrowers into formal credit bureau systems is that, for institutions practicing group credit methodologies, the real benefit from such participation is not

immediately apparent. Although MFIs employing group methodologies account for the lion's share of individual micro-borrowers, they do not place much value on credit information since, fundamentally, they do little credit analysis of individuals and base their credit decision more on the cohesiveness of the group and its collective guarantee. Another practical issue is the simple collection of data on repayment histories and names—since the central information systems of MFIs using group methodology techniques like village banks rarely track or retain data on individual borrowers. In El Salvador, MFIs that use the village bank methodology have been slow so far to join InfoRed, despite a concerted marketing effort in their direction.

Regulations on banking secrecy. Salvadoran banking law imposes some restrictions on the communication of credit information—which complicate the free communication of credit information between non-bank MFIs and the banking sector. While the banking law allows banks to supply client credit data to “specialized entities of renown and prestige” for credit information sharing purposes, it prohibits credit bureaus from diffusing such information to non-banks. This creates an important asymmetry in the treatment of credit information. While banks can see the whole range of information in a credit bureau database, other institutions are prohibited from accessing data that has been collected from the banking sector. Since banks and certain microfinance NGOs are often competing to sell similar products to the same clients (much more so than banks and commercial enterprises), this legally enforced lack of reciprocity seriously undermines the incentives of such microfinance institutions to participate in credit bureaus that also serve banks.⁵

It is still unclear how the microfinance sector will be integrated into the larger market for credit information in El Salvador. InfoRed and DICOM represent two basic competing models. InfoRed is betting on becoming a specialist serving the MFI sector. DICOM represents a generalist mode of operations that could incorporate MFIs in a more comprehensive way. There are some serious reasons to believe that the generalist model may offer the most viable solution. In terms of quality of service, it would appear to offer MFIs the best opportunity at rapidly obtaining a true one-stop credit information source centralizing credit information from all sources. For InfoRed to be able to offer the same database breadth, it would have to abandon its MFI specialist strategy and seek out new capital from investors to upgrade its database capacity, as well as sign-up most of DICOM's existing customers. Realistically, it would be much easier for DICOM to “reach down” into the MFI market segment. However, should the regulatory environment governing banking secrecy remain unchanged, the ideal of an all-embracing centralized credit reference database may be unattainable—since it is difficult to see how the interests of banks and unregulated MFIs could both be served without reciprocity in information sharing. In this situation, the MFI specialist model may offer a second best alternative.

⁵ It is important to note that, unless the written consent of the client is obtained, the banking secrecy clauses in the Haitian banking law of 1980 (Articles 108 – 111) would also seem to prohibit the sharing of bank client credit information with any institution that is not a bank.